

Opening Statement of SEC Chairman Nominee William Donaldson  
Before the Senate Banking Committee  
February 5, 2003

Chairman Shelby, Ranking Member Sarbanes and members of the Committee, it is my distinct honor to come before you today as President Bush's nominee to be Chairman of the Securities and Exchange Commission, and I thank you for this opportunity. I want to especially thank Senators Schumer and Clinton for their warm introductions.

The United States capital markets have long been the most intelligently regulated, efficiently functioning, and widely admired markets in the world. Because of this strength, America's financial system has become synonymous with an entrepreneurial spirit and free flow of capital that is unparalleled throughout the world.

Over the past year and a half, our nation and its financial systems have been faced with extraordinary new challenges. The evil of global terrorism attacked a great symbol of our financial strength. Soon thereafter, we witnessed revelations of corporate and financial corruption that accompanied the market's retreat from the boom of the nineties.

Many Americans' individual savings, accrued over a lifetime, were devastated. This loss was more than simply monetary - it was the loss of their hopes, their dreams, their futures, and their security. The reports of fraud and manipulation only fanned the flames of their distrust and outrage with corporate America and Wall Street. Their loss was profound, and, in many cases, the violation of trust was great. Such circumstances required a response just as serious.

The groundbreaking Sarbanes-Oxley legislation, passed by Congress and signed by President Bush responded with the most sweeping reforms of American business since the New Deal. But just as the war on terrorism can not be won overnight, neither can investor confidence be completely restored so quickly. Corporate America, Wall Street and their professional stewards - lawyers, accountants, corporate and financial managers and financial regulators - still have much work to do.

If confirmed, I will vigorously enforce Sarbanes-Oxley and the rules and regulations already put forth by the SEC. I will demand accountability from all responsible parties. I will aggressively enforce civil penalties and work cooperatively with state and federal law enforcement agencies and the

President's Corporate Fraud Task Force to bring those who break the law to justice.

While Sarbanes-Oxley has laid the foundation for best practices, legislation and vigorous regulation can accomplish only so much. There must be a conscious decision to make honesty, integrity and regard for the good of shareholders the motivation for all business decisions. If confirmed, I will call on corporate America and Wall Street to restore these principles to their proper place.

The SEC has been through a trying time as well. The SEC staff is superb, with knowledge and commitment that are unsurpassed. The recent scandals have depleted their morale and taxed their resources like never before. If confirmed I will work closely with the agency staff to enhance their sense of dedication and pride and restore the stature of the agency.

I have great respect for the critical role of the Congress and of this committee in particular. I hope to work closely with each of you. If you choose to affirm my nomination, I pledge to take on the task ahead with

every ounce of experience, judgment, and energy that I have. Thank you. I would be glad to take any questions.